

Gary. Thank you very much for the introduction. You are a good friend and you are also very prudent in keeping your remarks very short. I saw what hit the cutting room floor on the plane last night. I guarantee that my lawyer would have been hard at work this morning if you had elected to keep all that in. It's a pleasure to see my friend Gary, also Gary Doctor and so many members of the Chamber who I know individually and also to meet new people today as members of this organization. I knew that you were a fun loving organization but I really have to tell you that I didn't realize that you continually sponsored community affairs. And my staff that is here may want to rush to become your next members for all I know. Also, proposals in front of 1200 people is a remarkable way to proceed. I wish you and all the members of the Chamber my best wishes from Washington.

In coming out last night I thought about what I wanted to tell you in reporting about events in Washington DC at this time. I am in the course that I am not on the floor late at night watching walkouts and other forms of civil disobedience. I am reading a book about Winston Churchill - The Last Lion - and if you haven't read it I commend it to you. I think it's a superb book about one of the most interesting characters in recent history. In that book there's a story about an introduction that was given to Sir Winston. As he prepared to make a speech as some of you may have heard Sir Winston had enormous capacity for many things and one of the things he had a special capacity for was a fondness for drink, for spirits, and the chairman of the meeting who introduced him, whether he was doing it on a friendly basis or not is lost in the annals of history but said in the course of his introduction "If all the spirits consumed by Sir Winston were poured into this room, it would reach up to here on the wall." He drew a line with his finger at about the level of his eyes.

Churchill got up to speak. He glanced at the imaginary line on the wall. He looked at the ceiling, and made a mathematical calculation with his fingers. Then he sighed and said, "Ah, so much to be done, and so little time in which to do it."

I thought about that story as I thought about the work we have to do yet on the economy -- so little time and so much to do and it really is true. It doesn't matter if you're a Democrat or an Independent or a Republican. A great deal needs to be done starting at once in this economy and a lot of it is long overdue to prepare this country for its future and that's what I'd like to talk about today. Let me begin by talking and paying adequate mention of the improvements we have seen in recent years. Inflation is at a rate which most people would have dreamed impossible only a few years ago and that I think every person in this country can feel a great deal of gratitude. Interest rates are down although not nearly enough. We hope that they will come down and stay down and enable us to have a lasting and sustainable recovery. Unemployment has come down from levels that they were at. They are not uniformly down across the country and not uniformly down across our state and there's plenty of work to be done there but nevertheless there is improvement to be measured and we must measure it in order to take a fair assessment of where the economy is. But the most terrifying fact that remains on the national economic horizon is the enormous magnitude of the federal debt not only in the aggregate but that increment which is being proposed to be added to that aggregate in this fiscal year.

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Its a debt thats accumulated in the last four years by an enormous amount. Its not only a phenomenon of the last four years. We all know its a phenomenon thats gone on for a number of years. In just the last four years if you were to stack it in dollar bills and we are told this is the way we understand things today - it would stand over 50,000 miles high -- that debt. Unimaginable. I talked to a manufacturer the other day and he said he's placing his corporate bets, his economic bets as an economic manager looking at the size of this deficit, looking at the rankor between the two parties in Washington and the bets hes placing are these: that that debt is not going to come down substantially in this congress or in the immediate congresses to come expecting the federal reserve to monetize that debt and that means rapid returns to inflation and he shocked me that he was so certain that that was going to happen. I think I have some news today that that are more comforting than that but I cant blame that manufacturer when he reads the headlines in Washington today and sees the rankor that both parties are stimulating against each other pointing and name calling all of which is a diversion from the central problem that faces the country that we really must face as Americans not as Republicans or Democrats. So that debt is a major negative on the horizon and is terrifying to anyone who understands economics. A part of that, I think a part and parcel of that is the latest growth figures. An annual growth rate of 1.3% is not comforting one expects, hopes for, prays for, wants to work for, surely wants to see long term sustainable recovery. A growth rate of 1.3% could lead to a growth recession where the growth is so anemic that unemployment actually rises. These are i think functions, these and other things I might mention, the trade deficit and so forth are functions of the central problem that I mentioned which is the fiscal debt of the country. The deficit is the key. As Churchill said in his anecdote -- there is so little time and so very much to do within that short space of time.

I want to talk about that deficit and what the government's role is and what the two parties roles are in controlling it and what the role of all of those parties - both major political parties of the government - in controlling the deficit but also in doing so shaping our collective future because one does the other. Before I do I want to say by any fair measure as a democrat one has to give full credit for those accomplishments that I did mention. I stand before you as somebody who has disagreed with President Reagan, do so even now, today on some issues and expect to in the future on an issue by issue basis, but I really must say as I have observed Presidents come and go in the six terms now that I've served in Congress, that at least part of what we have witnessed over the last couple of years of the recovery is the President's ability to raise this country's spirits, to restore our belief, if you will, in ourselves - our belief in ourselves as a country, as a nation and regardless of what we think or how we vote politically, I think that's something that every one of us should be grateful for and should be grateful for a reinvigorated presidency because I am absolutely convinced that no country, no major super power, certainly not this country can be governed by a committee of 535 individuals. A strong presidency is absolutely essential to the building and the shaping of our future, be it in foreign policy or in economic policy. I don't hear much talk any more about a malaise in the presidency, though we differ I think that credit needs to be given. Where are my disagreements? I must say that the size of the budget submission, that the deficit in the budget submission to the Conress is one of my differences with the President. I don't agree with the budget that come to us \$180 billion out of balance. I don't agree with the specifics and the magnitude of the military buildup which is a part of that. I have, as a member of the Interior Appropriations Committee, some significant long term disagreements with the Administration's lack of enthusiasm for the natural resources industries, including our forest products industries, and really very little interest, it seems to me, in a policy sense, in the stimulation of housing as a major cornerstone of our

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policy. But all of that aside, I think those differences can be honestly debated, can be reconciled as this democracy sets up institutions to reconcile them. Compromises can be struck and I am confident that they will. More importantly, what I see over the horizon is a future that gives me a sense of confidence looking beyond where we are today to where we might be tomorrow, because I believe, and I want to share this with you in as clear of terms as I possibly can, that we have large opportunities as a country, enormous opportunities, and that with statecraft, perhaps a word that has been forgotten a bit too much in recent years, but with a measure of statecraft practiced by both political parties those opportunities can be grasped; the rigid ideologies can be laid aside and that we can build on that which has emerged from the deepest recession since the last depression. Correct the excesses and missed opportunities of our present course, and there are a few, and produce in doing so a sustained economic recovery that not only gives us some measure of economic opportunity but builds structures for future economic growth and opportunity which I hope that you and I would agree we must leave behind for generations that follow us.

My philosophy as a member of Congress and as a person in public office has always come down basically and rested on three basic values and I guess it's because I believe that there is room in this future that I see for these values that I have the optimism that I expressed. What are the values those values are first, growth. Second, strength. Third, personal merit. and if you think back over the history of this country, the fantastic triumph that this country represents in the history of nations it is because this country was founded first on the basis of those values and to the degree that those values have been nurtured this country has prospered. I believe that they are the key to Americas immediate future and the future that lays out there beyond. And so it seems to me today that the elected officials at the national level face the challenge of how we take wise and prudent steps to achieve the goals that are embodied in the values that I have just described. In considering that I think it is no longer relevant to think in the same political terms that we would have just a few years ago. I say that because in both political parties on both sides of the aisle a whole new generation of leaders is emerging and is beginning to work its way up to the top to the top levels of management within the halls of Congress.

In the Senate of the United states , there's Bill Bradley of New Jersey, a thinker of the first order a person willing to dare, to experiment, to change and to look for new formulas for solutions and he's a member of my party. Nancy Kassebaum of Kansas, a person cut out of the same type of cloth in terms of a willingness to explore and to try new ideas. Al Gore of Tennessee and Cristopher Dodd of Connetticut. There are Congressmen like Dick Gephardt of Missouri, Tim Wirth of Colorado and Claudine Schneider of Rhode Island. Democrats all moving forward just on the verge of top management positions in Congress. People who are willing not to be doctrinaire, understanding the dangers of being rigidly doctrinaire but want to address problems and find solutions. And break old molds if thats whats required in order to do them. And if you look out across the country you can see an exciting new breed of govenors which very much follows the same pattern and I think that that too is a sign of strength and hope.

I would say to you today that of course generational change is of course is obviously nothing new. It comes with each new generation. But from time to time a nation reaches a watershed and without trying to overdramatize we now seem to be at such a point. For one thing, the new generation of which I am a part is a post Depression generation. Our experience hasn't been with the Depression of the 30s so we don't think "new Deal" answers. Our experience has been with inflation. And the issues therefore that are the most terrifying for us are altogether different than those who are on the other side of the generational divide. Be it Tip O'Neil or be it Bob Michael of Illinois, Tip O'Neil's Republican counterpart on the House

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floor. I think that's a significant fact and it will play out in issue after issue in the years to come.

We think not about public work programs, we think in terms of growth programs. We think not in terms of CCC but instead of the integrity of our currency and the ability to keep it that way by keeping deficits under control so that the fed doesn't monetize the debt and debase the currency as we've seen in the recent years past.

This generation is a post-Vietnam generation that's moving forward today. We are at odds with those in the Democratic party who absolutely refuse to see any vital American interest anywhere in the world. We differ in that sense. I see vital interests that must be protected, the Persian Gulf is one of them. If this country ever sends the signal that we are clearly not interested in the Persian Gulf and what happens there I think the Western world picks up the pieces for years and years to come. But I'm not about to see America get bogged down in marginal controversies and end up diverting our resources from the defense of our major interests elsewhere in the world. Nor am I any more willing to think that throwing another billion dollars at the Pentagon will make us a billion dollars safer. That mind scheme didn't work in the sixties as we sort of approached the problem of social problems and I do not think that that mind set works today when it comes to national security questions. In that light I am very encouraged by what happened in the US Senate yesterday, the reports of which I read this morning occurred while I was in flight last night with Gary from Washington to Oregon.

Holding this year's defense spending to an inflation adjustment only will in no way weaken our nation's security. After all we have just had three record busting years in new military spending. It simply puts a pause on the largest military buildup in modern peacetime history and puts an important cornerstone in place for deficit reduction efforts which we must have if we are going to have interest rates down and are going to build an industrial base that will sustain a national defense as well as an economy.

Finally, I want to say this about the newer generation on both sides of the aisle that I referred to earlier. The interesting thing about them is that they are deeply involved in developing new strategies for growth on both sides of the aisle. Now you might be a Republican or you might be a Democrat but I want to suggest to you that there is something fundamentally important here. Regardless of what party affiliation you might have. Because if this emerges and reaches full bloom what we will see is the coming into of real leadership positions of people on both sides of the aisle who are putting the political competition on an entirely different basis than we've seen in the recent past - that we see today in Great Britain. It will not be a competition between those of one party who simply, exclusively want to redistribute wealth and another party who wants to create wealth but instead we will have leaders in both parties who putting their best thinking to bear on how to develop the best strategies for the generation of wealth and that will be the substance of the competition between the two parties. What is in it for us? Regardless of what our affiliation is? What is in it for us is an economically more stable nation because that's a positive competition rather than the stagnating polarizing kind of competition in politics that we've seen in Great Britain. And politically I think there's something in it for us because it provides a degree of political stability without the polarization of class against class which has brought great nations in the past to its knees. To me, I'm excited about the emergence of this generation. In my view, we will see it coming into play, power, and I think we're going to see some very positive results indeed.

Let me give you a view or two as we think about the role of gov't the budget, dealing with the problems of the budget. A view or two about from my standpoint and how I'm approaching

the problem.

I think America got where it is today not because gov't decided to step aside completely and walk away and provide for a defense that may be a postal service. I think that America got where it is today, the overall strength, forget the problems for a moment, celebrate the fact that we are the strongest economy on the face of the earth today, still. We are there today because the gov't invested wisely, working with the private sector, allowing private investment to accumulate but gov't itself was wise in its own investments. Wise in its investments of interstate highways, national forests, public lands, the minds of our young people and the education it made possible for generations of Americans and I believe America will continue to be great if we follow what I have called a sound investment strategy for the 80s, 90s and into the year 2000 and beyond. An investment strategy. One that uses the budget not to simply have a bunch of programs that are expenditures that bring nothing back to the treasury but a budget that is based on the investment concept that understands that a dollar invested in the human mind can generate technological, scientific breakthroughs, contributions to the economy that rebound to the benefit of the treasury many times over. At this moment in our history, at this moment of generational change I think there are in fact 3 compelling national priorities: first, to keep the recovery that we celebrate today tho it has not been uniform in Oregon from sliding back into an even bigger recession. It could happen if we dont take the action on the astronomical deficit. Second, to revise the tax code, to make it simpler, to put more incentives for productivity and capital formation and investment into the code that that becomes the cornerstone of the code and not a code that is so filled with tax shelters that the productive capital goes to the shelters and not to the ideas that are out there waiting for the tonic that capital can provide in this economy of ours. Finally, we've got to look over the horizon and make decisions today that will keep America's technological edge in the world. It won't be easy. But who said staying no. 1 was ever easy? We're facing a totally new world of competition. And we had better be ready for it. Given this, if this country is going to be secure, government's mission must be to strenghten our traditional industries, encourage the movement toward high technology, and provide incentives that will trigger research and development. But of course that brings us back to the monster at our door today: the budget deficit, our most immediate threat. The deficit sent to Congress this year is in the neighborhood of \$2.4 dollars, at least 100 times larger than the total oregon state budget for this biennium. Some people in high places have said these deficits don't make any difference. They point to interest rates today which aren't that high, and they say this shows maybe these deficits can be absorbed, can be handled and maybe they won't really be a threat to growth.

Well that is dangerous thinking. I will fight those in my own party who hold that point of view and they are there and I will fight those in the Republican party who hold those views. The only thing saving us today is the amount fo foreign capital that is coming in to the United States. This infusion is expanding the capital pool. The foreign capital is financing the deficit. That doesn't make me feel very secure. What happens if the oil sheiks and the Tokyo bankers decide to pull out? They could at any minute. Investment decisions are made like that. Domestically, it started to happen during the Ohio Savings and Loan crisis. And the instant foreign capital moves out, our nation's capital pool shrinks. And then the government will be competing even more intensely for loans against the small businessman, the high-tech entrepreneur, the consumer who wants a car, the potential homebuyer--against you. And guess who is going to be crowded out? And what the price of credit will be?

The problem is that we have ideologues rather than problem solvers in both parties in too great a number at the moment. I believe that it is going to take the statecraft I referred to

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earlier to break that ideological hangup that both ends of the political spectrum has in order to produce the results the economy requires. What do I refer to? I refer to those on the right who have said at least up to the vote yesterday in the Senate on military spending that we've got to reduce the deficit but we can't touch military spending. They don't have the votes to balance the budget that way but they have enough votes to keep it from being balanced and to thwart and stop those who they disagree with. Then there are those on the left and you probably heard those speeches too who pound on the podium, perhaps split it in half and say balance the budget but don't touch entitlements. Entitlements have grown by 450% in the last 10 years and Congress have not appropriated a single nickel of it. Automatic spending. They don't have the votes to balance the budget their way either. They have only enough to stymie the their counterparts at the other end. So we've had legislative gridlock like two Japanese Sumi wrestlers standing there each unable to pin the other and standing in a state of paralysis. The time has come where we pass, as democrats and republicans, an across the board freeze on spending which applies to domestic spending, military spending and apply the freeze to entitlements as well. Yesterdays vote in the Senate was an important cornerstone vote. I think it sets the stage for the vote of the kind I've just described in the House and I have been working very hard to pass a budget resolution that would do that -- apply an across the board freeze. If you can propose to the Congress that everything is going to be frozen and then there will be cuts to that frozen level from last years spending you then can say to each side that the other has sacrificed equally and knowing that no one escapes there are no sacred cows left it is possible politically for each side that has made its requisite political promises to its constituents. With that kind of political chemistry I think its possible to strike a compromise. And I think the vote yesterday is an important indication that the generation that is providing the leadership behind that is on its way and I'm more confident now that we can make at least a \$50 if not a \$60 million reduction in the deficit than I was when I came out to see you.

I believe that its not just the total amount of deficit reduction that we reduce this year its also where those savings come from. That the credit market can see a bigger bite out of the apple and then can further see that very sensitive areas of the budget have been a part of the compromise. I think the credit markets will say that finally the institutions of this gov't are serious about deficit reduction and the trend line for interest rates are coming down and the credit markets are going to be calm.

I must conclude by making only one other point. While our overall task in budgeting must be to reduce we have a corollary task as we look out over the horizon at what America will be past the year 2000. To rearrange priorities to prepare America for the world that will exist past the year 2000. And that means realigning priorities overall. The two areas which i believe must be increased as the total is brought down is education, research and development. In education I look at what our spinoff potential is of our technology thats taken us to space.

Today we have within our means the ability to use the zero gravity of space to tremendous economic advantage. I have been told, by officials at NASA, that within the zero gravity environment of the Space Shuttle and -- ultimately-- a manned space station, we can produce purer forms of pharmaceuticals and other substances that are unimaginable here on earth.

This whole subject is of particular interest to us here in Washington County, since it now is possible to produce -- in space-- a purer form of silicon chip, That can be sliced thinner and hold more information. This is just an example of how America has a huge technological advantage over the rest of the world that can be developed in a way that will keep us on the cutting edge of technology for decades to come.

Nobody in the world can match us in this work. But to achieve and KEEP this advantage, its going to take education. I don't believe 1960s social spending for education is the wave of the future or the answer to America's problems. But unless this country gets very serious, very quickly about the kinds of investments it makes in the minds of our children we aren't going to have the trained manpower to do the job, and the future will be very different.

This means things like a tax credit for research and development that corporations currently enjoy but expand to make it possible for them to lend to mathematicians, scientists, researchers, to our schools, to our colleges and to our research institutions and claim a tax credit. A creative use of the tax code which leads to the productivity that will come from it in the fashion I have just described.

I hope then that we will look at education and see where we are and not bathe ourselves in self congratulation and understand that the passage of a bill such as I just mentioned and a measured increase in budget investments are required.

I want to share with you some facts to illustrate my point keeping in mind that we are under intense and growing international competition.

Listen to this: In Japan, all students are required to take four years of math and three years of science. Here, two thirds of all American high schools require only one year of science and math.

One year versus four and three. In Russia, four years of chemistry are required, including a full year of organic chemistry. Beyond that, in many industrial nations, course work in math, biology, chemistry, physics and geography start at grade six. And kids in those nations spend 3 times as many class hours on those subjects than even the most science oriented students do here in the U.S. The countries I am referring to are, of course, our industrial competitors. These are the countries that are moving abreast of us. These are the countries that are beginning to beat us out of world markets. These are the countries which are beginning to take market shares in our own county, causing the decline of our own

So increasing the standards. Increasing the level of investments, thinking of new ways of achieving that investment other than throwing money at the problem. A targeted use perhaps that I've just described in the bill I've introduced -- a tax credit for research and development allowing a person from techtronics to teach in a classroom and have that sheltered from that companies taxes. How much good that would do in the classroom. The marriage that would be caused by industry and education thru such a device is exciting to think about. It creates a partnership approach that this country must have to face challenges that were unimaginable at the beginning of our lives.

So I want to suggest to you that we have two major challenges. I dont believe in problems. I believe in challenges. One is to arrive at statecraft and I speak of all 535 members of the House and Senate. A level wh will allow the sacred cows to be reduced so that the overall level of spending is reduced and deficits come down and stay down. And in the course of doing that take a longer view and look out over the horizon and envision a country that we must and want to have at 2000 and beyond and prepare us .

What captures the spirit of what's needed, in the Congress in particular, is something that is written on the wall above the Speaker's podium. It is a quote by Daniel Webster and it describes his generation's view of the world in his day. The words are these: "Let us develop the resources of our land, call forth its powers, build up its institutions and see whether we also, in our day and in our time and in our generation may not perform something worthy to be remembered. A view of the future, as well as one firmly rooted in the

present." That was the view in Webster's generation, and I believe it can be in ours.

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